

Message Text

CONFIDENTIAL

PAGE 01 MUSCAT 00089 01 OF 02 271048Z

11

ACTION L-03

INFO OCT-01 EUR-12 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 FRB-03

FTC-01 CIAE-00 DODE-00 PM-04 H-02 INR-07 NSAE-00

PA-01 PRS-01 USIA-06 FMC-01 /093 W

----- 045897

R 270818Z JAN 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1788

INFO AMEMBASSY ABU DHABI

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEL AVIV

USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 MUSCAT 089

E.O. 11652: GDS

TAGS: ETRD EFIN PFOR MU

SUBJECT: RECENT OMANI REACTIONS TO U.S. ANTI-BOYCOTT
REGULATIONS

REF: (A) MUSCAT 002, (B) STATE 12469, (C) 75 MUSCAT 1316,
(D) STATE 13447 (NOTAL), (E) STATE 16785

SUMMARY: IMPACT OF U.S. ANTI-DISCRIMINATION REGULATIONS ON
U.S.-OMANI TRADE HAS BEEN MIXED. ON ONE HAND, SOME OMAN-
BASED FIRMS HAVE BEEN ABLE TO OVERCOME INITIAL RELUCTANCE OF
THEIR AMERICAN SUPPLIERS TO FILL ORDERS IN FACE OF RECENT
REVISIONS IN U.S. EXPORT REGULATIONS. YET INCREASING NUMBERS
OF U.S. CORRESPONDENT BANKS REFUSE TO PROCESS LETTERS OF
CREDIT FOR OMANI FIRMS WITHOUT IMPOSING CONDITIONS WHICH WOULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MUSCAT 00089 01 OF 02 271048Z

BE UNACCEPTABLE TO OMANGOV. WE DISCUSSED THESE DEVELOPMENTS

IN CONTEXT OF USDOC EXPORT BULLETIN 149 AND FRB LETTER (REFTEL E) WITH YUSUF NIMATALLAH, DEPUTY CHAIRMAN OF CENTRAL BANK OF OMAN, AND UNDER SECRETARY OF COMMERCE ALI DAWOOD. OMANGOV OFFICIALS DESIRE CONTINUANCE OF BRISK TRADE WITH U.S. AND HOPE THAT COMMERCIAL RELATIONS CAN BE CARRIED OUT WITH PROPER OBSERVANCE OF LEGAL FORMALITIES ON BOTH SIDES. NEVERTHELESS, OMANGOV WILL ADAMANTLY OPPOSE CHANGING EXISTING BOYCOTT REGULATIONS AND WILL EXPECT "GIVE" TO COME FROM U.S. SIDE. END SUMMARY.

1. WE WELCOME USDOC'S SPEEDY RESOLUTION OF OMANTEL-COMTECH DISPUTE (REFTEL D). COMTECH LABORATORIES OF SMITHTOWN, NY, HAD REFUSED TO FILL ORDER OF SPARE PARTS FOR OMAN TELECOMMUNICATIONS CO. (OMANTEL, CITING RECENT USG REGULATIONS WHICH OSTENSIBLY OPPOSED ISRAEL BOYCOTT PROVISIONS IN COMMERCIAL CONTRACTS. OMANTEL REQUESTED COMTECH TO REVERSE ITS DECISION ON GROUNDS THAT EXPORT REGULATIONS PROHIBITED DISCRIMINATION AGAINST U.S. FIRMS AND CITIZENS BUT DID NOT NECESSARILY FORBID COMPLIANCE WITH POLITICAL BOYCOTT. COMTECH HAS REPLIED THAT IT WILL BE ABLE TO FILL PRESENT AND FUTURE ORDERS FROM OMAN, AND OMANTEL REPS DO NOT ANTICIPATE FURTHER DIFFICULTIES.

2. ON OTHER HAND, AMERICAN COMMERCIAL BANKS ARE SHOWING INCREASING RELUCTANCE TO PROCESS LETTERS OF CREDIT FOR OMANI COMPANIES. AT SAME TIME, OMAN CENTRAL BANK HAS BECOME MORE INSISTENT ON COMPLIANCE WITH OMAN BOYCOTT REGULATIONS IN REGARD TO LETTERS OF CREDIT (REFTEL C). LEADING COMMERCIAL BANKS HERE HAVE SOUGHT TO EVADE NEW YORK STATE LAW BY GETTING LETTERS OF CREDIT PROCESSED BY CORRESPONDENT BANKS IN WASHINGTON AND OTHER PARTS OF U.S. HOWEVER, THIS GAMBIT IS LOSING ITS EFFECTIVENESS, SINCE BANKS IN OTHER STATES ARE NOW BALKING. FOR EXAMPLE, PITTSBURGH NATIONAL BANK HAS REFUSED TO PROCESS LETTER OF CREDIT FOR OMANI FIRM EXCEPT ON UNACCEPTABLE COLLECTION BASIS. FIRST NATIONAL BANK OF MINNEAPOLIS INFORMED BRITISH BANK OF THE MIDDLE EAST THAT IT COULD NOT CONTINUE TO PROCESS LETTERS OF CREDIT FOR OMAN UNLESS LETTER OF CREDIT DELETED CLAUSES RELATING TO BLACKLISTED SHIPPING. THE MINNEAPOLIS BANK NOTED THAT IT HAD RECEIVED LEGAL OPINIONS STATING THAT IT WOULD BE CONTRAVENING USG REGULATIONS AND COULD BE FINED "SUBSTANTIAL AMOUNTS" IF IT CONFIRMED LETTERS OF CREDIT CONTAINING OBJECTIONABLE SHIPPING CLAUSES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUSCAT 00089 01 OF 02 271048Z

3. BBME MANAGERS SAY THAT IF THESE DIFFICULTIES ARE NOT ADEQUATELY RESOLVED THE BANK CANNOT IN GOOD FAITH ADVISE CUSTOMERS IN OMAN TO PURCHASE GOODS FROM U.S. IF SHIPMENTS OF U.S. GOODS ARE NOT ACCOMPANIED BY DOCUMENTATION WHICH SATISFIES OMANGOV, SHIPMENTS WILL BE REFUSED ENTRY BY OMANI CUSTOMS. BBME WOULD THEN BE STUCK WITH UNSALABLE GOODS AND COULD EVEN BE SUBJECT TO COURT ACTION BY OMANI IMPORTER.

TECHNICALITY IN OMAN BOYCOTT REGULATIONS WHICH PERMITS ENTRY OF GOODS WITHOUT PROPER DOCUMENTATION UPON PENALTY PAYMENT OF TWO PERCENT OF DECLARED VALUE COULD BE USED AT PRESENT, BUT BBME IS CERTAIN THAT THIS LOOPHOLE WILL SOON BE CLOSED BY OMANI CUSTOMS AUTHORITIES.

4. WE HAVE DISCUSSED BOYCOTT DEVELOPMENTS WITH CENTRAL BANK DEPUTY CHAIRMAN YUSUF NIMATALLAH, WHO IS MOST IMMEDIATELY INVOLVED WITH ENFORCING OMANGOV REGULATIONS ON LETTERS OF CREDIT. WE REVIEWED USDOC EXPORT BULLETIN 149 AND FRB LETTER OF CLARIFICATION DATED JAN. 20. NIMATALLAH WAS PLEASED TO LEARN THAT COMPLIANCE WITH ISRAEL BOYCOTT WAS NOT AUTOMATICALLY PROHIBITED BY U.S. REGULATIONS AND HOPED THAT AMERICAN BANKS WOULD OVERCOME THEIR PRESENT RELUCTANCE TO PROCESS LETTERS OF CREDIT FOR OMAN. HOWEVER, HE EMPHASIZED THAT THERE WAS NO CHANCE OF MODIFYING ISRAEL BOYCOTT PROCEDURES AND THAT U.S. FIRMS WOULD HAVE TO ACCEPT OMAN REGULATIONS AS GIVEN. HE NOTED THAT OMAN AND NEIGHBORING ARAB STATES WERE NOT SEEKING TO DISCRIMINATE AGAINST JEWS PER SE BUT WERE TRYING TO AVOID DOING BUSINESS WITH SUPPORTERS OF ISRAEL (HE CITED RECENT HANDLING OF LOAN FOR UAE BY LAZARD BROTHERS AS EXAMPLE OF HOW JEWISH-OWNED FIRMS COULD DO BUSINESS IN ARAB WORLD).

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 MUSCAT 00089 02 OF 02 270958Z

11

ACTION L-03

INFO OCT-01 EUR-12 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 FRB-03

FTC-01 FMC-01 CIAE-00 DODE-00 PM-04 H-02 INR-07

NSAE-00 PA-01 PRS-01 USIA-06 /093 W

----- 045368

R 270818Z JAN 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1789

INFO AMEMBASSY ABU DHABI

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY TEL AVIV
USDOC WASHDC

C O N F I D E N T I A L SECTION 2 OF 2 MUSCAT 089

5. MINCOMMERCE UNDER SECY DAWOOD TOLD AMBASSADOR JAN 26 OMAN "MUST" FOLLOW EXPLICITLY THE BOYCOTT DIRECTIVES RECEIVED FROM DAMASCUS CENTRAL OFFICE. BUT FROM HIS REMARKS IT IS CLEAR OMANGOV DESIRES TO DO NO MORE THAN ABSOLUTELY REQUIRED, AND CONSCIOUSLY AVOIDS INITIATING ACTIONS ON ITS OWN.

6. IMPACT OF U.S. BANKS' REFUSAL TO PROCESS L/C'S HAS THUS FAR NOT BEEN VERY IMPORTANT. BBME CASES INVOLVE ONLY FEW THOUSAND DOLLARS, AND TO OUR KNOWLEDGE OTHER BANKS HAVE NOT YET BEEN AFFECTED. HOWEVER, IF U.S. BANKS OR COMPANIES BACK AWAY FROM LARGE OMANGOV ORDER, REPERCUSSIONS WILL BE IMMEDIATE AND LONG-LASTING. SOME BANKERS HERE FEAR U.S. EXPORTS TO OMAN WILL SUBSIDE UNLESS RELUCTANCE OF U.S. CORRESPONDENT BANKS CAN BE OVERCOME.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MUSCAT 00089 02 OF 02 270958Z

7. COMMENT: QUALMS OF U.S. FIRMS SEEM SOMETIMES BASED UPON MISREADING OF USDOC REGULATIONS, AND SOME NEGATIVE DECISIONS CAN BE REVERSED AFTER AMERICAN COMPANIES ARE CONVINCED THAT THEY ARE ON FIRM LEGAL GROUNDS. HOWEVER, BANKERS AND OMANGOV OFFICIALS BELIEVE U.S. CORRESPONDENTS SEEM MORE DETERRED BY POLITICAL CONSIDERATIONS AND FEARS OF HARASSING LAWSUITS RATHER THAN LEGAL UNCERTAINTY. WE WOULD APPRECIATE ANY INFORMATION DEPT CAN PROVIDE ABOUT TREND OF CONGRESSIONAL AND PUBLIC VIEWS TOWARD COMMERCIAL RELATIONS WITH ARAB WORLD AND BOYCOTT ISSUE SINCE NOV 20 PRESIDENTIAL STATEMENT AND ENSUING REGULATIONS AND COMMERCIAL EXPERIENCE.
WOLLE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE DISCRIMINATION, POLICIES, GOVERNMENT REACTIONS, BOYCOTTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MUSCAT00089
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760030-0767
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760118/aaaaapjk.tel
Line Count: 209
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 MUSCAT 2, 76 STATE 12469, 76 MUSCAT 1316
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 13 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 MAY 2004 by ShawDG>; APPROVED <06 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT OMANI REACTIONS TO U.S. ANTI-BOYCOTT REGULATIONS
TAGS: ETRD, EFIN, PFOR, MU, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006